

**UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:) Chapter 9
)
CITY OF DETROIT, MICHIGAN,) Case No. 13-53846
)
Debtor.) Hon. Steven W. Rhodes

**FEE EXAMINER'S FOURTH QUARTERLY REPORT FOR MONTHS OF
APRIL, MAY AND JUNE 2014**

Robert M. Fishman, the duly appointed fee examiner (the “Fee Examiner”), submits this Fourth Quarterly Report (the “Fourth Quarterly Report”) for the Months of April, May and June 2014 (the “Reporting Period”) pursuant to paragraph 8 of the Court’s Fee Review Order dated September 11, 2013 [Docket No. 810] (the “Fee Review Order”):¹

Background

1. Pursuant to the Order Appointing Fee Examiner dated August 19, 2013 [Docket No. 383] (the “Appointment Order”), the Court appointed Robert M. Fishman as the Fee Examiner in connection with the above-captioned bankruptcy case (the “Case”). Pursuant to the Appointment Order, it is the Fee Examiner’s responsibility to assure the Court, the City, the creditors, and the public that the City’s Professional Fee Expenses (as defined in the Appointment Order) are fully disclosed and are reasonable, as required by 11 U.S.C. § 943(b)(3).

2. Pursuant to paragraph 1 of the Fee Review Order, by no later than September 30, 2013, the City and the Committee were both required to submit lists of all professionals who have been retained to render services in connection with the Case and who seek payment of compensation and reimbursement of expenses from the City for post-petition services, excluding

¹ Capitalized terms not otherwise defined herein shall have the meaning assigned in the Fee Review Order.

ordinary course professionals hired by the City not in conjunction with the Case, but rather in the same contexts and capacities as such professionals were typically hired by the City prior to the commencement of the Case. Fee Review Order, ¶ 1. The City and the Committee both complied with this requirement by submitting lists of the following City Professionals and Committee Professionals:²

City Professionals

Conway MacKenzie, Inc.
Dykema Gossett, PLLC
Ernst & Young LLP
Jones Day
Foley & Lardner LLP
Kilpatrick & Associates, PC
Kurtzman Carson Consultants LLC
Miller Buckfire & Co. LLC
Miller, Canfield, Paddock & Stone, P.L.C.
Milliman, Inc.
Ottenwess, Allman & Tawee, PLC
Pepper Hamilton LLP

Committee Professionals

Dentons US LLP/Salans FMC SNR Denton Europe LLP
Brooks Wilkins Sharkey & Turco PLLC
Lazard Freres & Co. LLC
Segal Consulting

3. Additionally, counsel for Christie's Inc, Debevoise & Plimpton LLP ("Debevoise"), has also agreed to be designated as a City Professional and have its invoices reviewed by the Fee Examiner. The Fee Examiner has just received the applicable invoices for Debevoise and has just begun his review thereof, and will be filing the appropriate Final Monthly and Quarterly Reports in the future.

² The City added Professionals (Dykema Gossett, PLLC, Kilpatrick & Associates, PC and Ottenwess, Allman & Tawee, PLC) in a letter to the Fee Examiner dated December 13, 2013.

4. By no later than October 4, 2013, each City Professional and Committee Professional was required to submit to the Fee Examiner (a) an executed copy of its engagement letter, (b) a verified rate statement respecting regular hourly rates and Discounted Rates, and (c) a list of billing and expense categories to be used in Monthly Invoices, which list had to be acceptable to the Fee Examiner in his reasonable discretion (collectively, the “Initial Submissions”). Fee Review Order, ¶ 2.

5. Each of the Professionals has provided its Initial Submissions to the Fee Examiner.

6. Pursuant to the Fee Review Order, each Professional is required to submit Monthly Invoices to the Fee Examiner within 49 days after the end of each calendar month; provided, however, that the July and August 2013 Monthly Invoices were due on or before October 21, 2013 (each, an “Invoice Deadline”). *Id.*, ¶ 4. Within 35 days of each Invoice Deadline, the Fee Examiner is required to create Preliminary Reports with respect to each timely submitted Monthly Invoice and transmit that Preliminary Report to the applicable Professional. *Id.*, ¶ 5. During the 14-day period after the Fee Examiner transmits the Preliminary Report (the “Resolution Period”), the Fee Examiner and each Professional are required to meet and confer respecting any issues raised by the Fee Examiner in the Preliminary Report in an effort to resolve such issues by agreement (the “Resolution Discussion”). *Id.*, ¶ 6.

7. Within 14 days after the expiration of the Resolution Period, the Fee Examiner is required to prepare a Final Monthly Report respecting all of the Monthly Invoices. Fee Review Order, ¶ 7. In the Final Monthly Report, the Fee Examiner is required to delineate all write-offs and other adjustments made to each Monthly Invoice, both before the submission of the Monthly Invoice and as a result of the Resolution Discussions. *Id.*

8. Beginning on February 4, 2014³ and approximately every 91 days thereafter, the Fee Examiner is required to prepare Quarterly Reports, which must include the following: (a) copies of each of the Final Monthly Reports for the applicable months and copies of each Monthly Invoice (subject to redaction requirements); (b) a summary of the Professional Fee Expenses for each Professional for the applicable time period, as well as for all prior time periods; and (c) a statement by the Fee Examiner as to whether all of the Professional Fee Expenses covered by the Quarterly Report have been fully disclosed and are reasonable. Fee Review Order, ¶ 8. The Quarterly Reports must be filed with the Court and posted on the Emergency Manager's page of the City's website and on the restructuring website maintained by the City's claims and noticing agent. *Id.*

9. The Fee Review Order sets forth other procedures and requirements that apply to and govern the submission, disclosure and review of all Professional Fees in the Case.

Final Monthly Reports and Monthly Invoices

10. As required by the Fee Review Order, the Fee Examiner prepared and transmitted Preliminary Reports to each Professional that submitted a Monthly Invoice and engaged in Resolution Discussions with the Professionals prior to preparing the Final Monthly Reports. The April, May and June Final Monthly Reports are attached to this Fourth Quarterly Report as Group Exhibit 1 (April 2014 Final Monthly Reports), Group Exhibit 2 (May 2014 Final Monthly Reports), and Group Exhibit 3 (June 2014 Final Monthly Reports) and they include copies of the applicable Monthly Invoices (redacted where applicable) submitted by each Professional for the relevant months.

³ The original date set forth in the Fee Review Order was January 15, 2014, but the Court entered an Order extending that date to February 4, 2014 [Dkt. # 2435].

11. Each of the attached Final Monthly Reports includes summaries of the Professional Fee Expenses for each set of applicable Monthly Invoices, including a statement of voluntary write-offs and other reductions made by each of the Professionals with respect to each Monthly Invoice, both before the submission of each Monthly Invoice and as a result of the Resolution Discussions between the Fee Examiner and each Professional.

Summary of Professional Fee Expenses for Reporting Period

12. The following are summaries of the Professional Fee Expenses for the Reporting Period following the Fee Examiner's review of the Monthly Invoices and related Resolution Discussions with each Professional:

City Professionals:

Conway MacKenzie, Inc.		
	Total Fee Request	Total Expense Request
April 2014	\$1,053,826.34	\$966.68
May 2014	\$1,010,541.07	\$800.00
June 2014	\$1,073,300.11	\$1,297.09
Quarterly Totals:	\$3,137,667.52	\$3,063.77
Total for First Quarter (July-Sept) 2013:	\$2,258,042.61	\$1,218.89
Total for Second Quarter (Oct-Dec) 2013:	\$3,082,908.50	\$15,469.82
Total for Third Quarter (Jan-Mar) 2014:	\$2,995,113.10	\$9,662.60
Total for Case:	\$11,473,731.73	\$29,415.08

Jones Day		
	Total Fee Request	Total Expense Request
April 2014	\$3,955,036.62	\$157,939.35
May 2014	\$4,063,048.87	\$112,608.50
June 2014	\$3,819,724.87	\$173,341.70
Quarterly Totals:	\$11,837,810.36	\$443,889.55
Total for First Quarter (July-Sept) 2013:	\$6,589,572.64	\$143,273.82
Total for Second Quarter (Oct-Dec) 2013:	\$10,025,613.74	\$590,248.51
Total for Third Quarter (Jan-Mar) 2014:	\$8,511,072.51	\$289,100.62
Total for Case:	\$36,964,069.25	\$1,466,512.50

Foley & Lardner LLP

	Total Fee Request	Total Expense Request
April 2014	\$9,684.00	\$0.00
May 2014	\$25,200.50	\$66.75
June 2014	\$24,293.50	\$0.00
Quarterly Totals:	\$59,178.00	\$0.00
Total for First Quarter (July-Sept) 2013:	\$114,855.00	\$0.00
Total for Second Quarter (Oct-Dec) 2013:	\$22,621.50	\$0.00
Total for Third Quarter (Jan-Mar) 2014:	\$16,659.50	\$0.00
Total for Case:	\$213,314.00	\$66.75

Kurtzman Carson Consultants LLC

	Total Fee Request	Total Expense Request
April 2014	\$69,133.75	\$24,732.25
May 2014	\$205,195.87	\$271,011.28
June 2014	\$160,703.88	\$938,541.39
Quarterly Totals:	\$435,033.50	\$1,234,282.92
Total for First Quarter (July-Sept) 2013:	\$87,062.00	\$123,176.90
Total for Second Quarter (Oct-Dec) 2013:	\$117,017.50	\$314,747.83
Total for Third Quarter (Jan-Mar) 2014:	\$338,250.75	\$341,337.46
Total for Case:	\$977,363.75	\$2,013,545.11

Miller Buckfire & Co. LLC

	Total Fee Request	Total Expense Request
April 2014	\$480,000.00	\$17,918.23
May 2014	\$300,000.00	\$31,930.39
June 2014	\$300,000.00	\$10,926.16
Quarterly Totals:	\$1,080,000.00	\$60,774.78
Total for First Quarter (July-Sept) 2013:	\$1,225,806.45	\$51,302.29
Total for Second Quarter (Oct-Dec) 2013:	\$1,500,000.00	\$60,108.30
Total for Third Quarter (Jan-Mar) 2014:	\$900,000.00	\$79,354.63
Total for Case:	\$4,705,806.45	\$251,540.00

Miller, Canfield, Paddock & Stone, P.L.C.

	Total Fee Request	Total Expense Request
April 2014	\$327,518.00	\$5,852.35
May 2014	\$227,168.50	\$1,754.45
June 2014	\$240,452.00	\$2,057.48
Quarterly Totals:	\$795,138.50	\$9,664.28
Total for First Quarter (July-Sept) 2013:	\$575,840.25	\$4,160.23
Total for Second Quarter (Oct-Dec) 2013:	\$880,464.00	\$22,279.44
Total for Third Quarter (Jan-Mar) 2014:	\$884,652.50	\$6,829.37
Total for Case:	\$3,136,095.25	\$42,933.32

Milliman, Inc.

	Total Fee Request	Total Expense Request
April 2014	\$260,009.90	\$0.00
May 2014	\$62,955.15	\$947.05
June 2014	\$57,768.00	\$0.00
Quarterly Totals:	\$380,733.05	\$947.05
Total for First Quarter (July-Sept) 2013:	\$261,762.20	\$18,311.78
Total for Second Quarter (Oct-Dec) 2013:	\$279,256.90	\$3,744.17
Total for Third Quarter (Jan-Mar) 2014:	\$270,239.00	\$4,798.91
Total for Case:	\$1,191,991.15	\$27,801.91

Pepper Hamilton LLP

	Total Fee Request	Total Expense Request
April 2014	\$152,208.90	\$781.55
May 2014	\$143,768.25	\$2,392.35
June 2014	\$179,098.20	\$297.33
Quarterly Totals:	\$475,075.35	\$3,471.23
Total for First Quarter (July-Sept) 2013:	\$272,080.50	\$6,847.68
Total for Second Quarter (Oct-Dec) 2013:	\$518,850.88	\$7,806.17
Total for Third Quarter (Jan-Mar) 2014:	\$601,416.45	\$4,588.41
Total for Case:	\$1,867,423.18	\$22,713.49

Ernst & Young LLP

	Total Fee Request	Total Expense Request
April 2014	\$1,286,126.00	\$48,860.00
May 2014	\$962,840.00	\$101,024.00
June 2014	\$918,164.00	\$61,286.00
Quarterly Totals:	\$3,167,615.00	\$211,170.00
Total for First Quarter (July-Sept) 2013:	\$2,447,631.00	\$96,806.00
Total for Second Quarter (Oct-Dec) 2013:	\$3,932,622.00	\$217,265.00
Total for Third Quarter (Jan-Mar) 2014:	\$3,490,006.00	\$204,160.00
Total for Case:	\$13,037,874.00	\$729,401.00

Kilpatrick & Associates, PC

	Total Fee Request	Total Expense Request
April 2014	\$4,390.00	\$0.00
May 2014	\$14,530.00	\$0.00
June 2014	\$11,640.00	\$0.00
Quarterly Totals:	\$30,560.00	\$0.00
Total for First Quarter (July-Sept) 2013:	\$24,705.00	\$61.60
Total for Second Quarter (Oct-Dec) 2013:	\$25,240.00	\$0.00
Total for Third Quarter (Jan-Mar) 2014:	\$25,995.00	\$140.10
Total for Case:	\$106,500.00	\$201.70

Dykema Gossett, PLLC

	Total Fee Request	Total Expense Request
April 2014	\$20,688.60	\$38.30
May 2014	\$32,874.30	\$92.08
June 2014	\$30,044.00	\$95.30
Quarterly Totals:	\$83,586.90	\$225.68
Total for First and Second Quarter (July-Dec) 2013:	\$152,772.00	\$541.84
Total for Third Quarter (Jan-Mar) 2014:	\$73,863.00	\$412.96
Total for Case:	\$310,221.90	\$1,180.48

Ottenwess, Taweele & Schenk, PLC

	Total Fee Request	Total Expense Request
April 2014	\$5,925.00	\$0.00
May 2014	\$9,765.00	\$22.20
June 2014	\$12,397.50	\$32.13
Quarterly Totals:	\$28,087.50	\$54.33
Total for Second Quarter (Oct-Dec) 2013:	\$9,855.00	\$28.80
Total for Third Quarter (Jan-Mar) 2014:	\$20,542.50	\$15.30
Total for Case:	\$58,485.00	\$98.43

Committee Professionals:

Dentons US LLP/Salans FMC SNR Denton Europe LLP		
	Total Fee Request	Total Expense Request
April 2014	\$1,010,392.80	\$29,943.15
May 2014	\$1,023,639.50	\$50,702.19
June 2014	\$1,240,279.25	\$38,458.78
Quarterly Totals:	\$3,274,311.55	\$119,104.12
Total for First Quarter (July-Sept) 2013:	\$1,512,979.75	\$54,102.83
Total for Second Quarter (Oct-Dec) 2013:	\$2,923,504.56	\$131,448.02
Total for Third Quarter (Jan-Mar) 2014:	\$2,978,001.00	\$179,974.67
Total for Case:	\$10,688,796.86	\$484,629.64

Brooks Wilkins Sharkey & Turco PLLC		
	Total Fee Request	Total Expense Request
April 2014	\$70,773.00	\$512.70
May 2014	\$77,824.50	\$903.29
June 2014	\$60,064.00	\$406.67
Quarterly Totals:	\$208,661.50	\$1,822.66
Total for First Quarter (July-Sept) 2013:	\$74,478.00	\$305.20
Total for Second Quarter (Oct-Dec 2013)	\$198,092.50	\$2,189.04
Total for Third Quarter (Jan-Mar) 2014:	\$203,674.00	\$5,763.66
Total for Case:	\$684,906.00	\$10,080.56

Lazard Freres & Co. LLC		
	Total Fee Request	Total Expense Request
April 2014	\$175,000.00	\$9,632.10
May 2014	\$175,000.00	\$43.05
June 2014	\$175,000.00	\$9,886.90
Quarterly Totals:	\$525,000.00	\$19,562.05
Total for First Quarter (July-Sept) 2013:	\$163,333.33	\$0.00
Total for Second Quarter (Oct-Dec) 2013:	\$525,000.00	\$55,476.57
Total for Third Quarter (Jan-Mar) 2014:	\$525,000.00	\$27,732.98
Total for Case:	\$1,738,333.33	\$102,771.60

Segal Consulting		
	Total Fee Request	Total Expense Request
April 2014	\$393,137.00	\$14,128.25
May 2014	\$186,968.00	\$5,357.15
June 2014	\$194,094.00	\$5,504.40
Quarterly Totals:	\$774,199.00	\$24,989.80
Total for First Quarter (July-Sept) 2013:	\$209,204.50	\$7,103.37
Total for Second Quarter (Oct-Dec) 2013:	\$699,553.00	\$31,284.52
Total for Third Quarter (Jan-Mar) 2014:	\$995,137.00	\$34,769.94
Total for Case:	\$2,678,093.50	\$98,147.63

Statement Regarding Disclosure and Reasonableness of Professional Fee Expenses

13. The procedures and requirements set forth in the Fee Review Order, including but not limited to the submission of the information contained in this Fourth Quarterly Report, are intended to ensure the adequacy of disclosure and provide a mechanism to assess the reasonableness of all Professional Fee Expenses. For example, the Initial Submissions enabled the Fee Examiner (i) to understand the terms of the engagement letters pursuant to which each Professional is employed, (ii) to evaluate the significance of any Discounted Rates in comparison to each Professional's regular hourly rates, and (iii) to obtain Monthly Invoices in a sufficiently detailed and organized format that is conducive to meaningful review. The Fee Examiner, individually and through his professionals, conducted a thorough review of each Monthly Invoice and generated a Preliminary Report for each Monthly Invoice that contained the Fee Examiner's detailed comments and questions, which were aimed at (a) generating compliance with the substantive requirements of the Fee Review Order and the reasonableness standards developed by the Fee Examiner based on his extensive experience in bankruptcy cases, and (b) providing full public disclosure of the Professional Fee Expenses (subject only to redacting as determined by the applicable Professional).

14. Over the course of the many months of the creation, submission, review and related discussions, the Fee Examiner and the Professionals have developed an understanding of the manner in which invoices are going to be prepared, submitted and reviewed. The Fee Review Process itself has allowed the Professionals to improve the substantive content and quality of their respective invoices. This has resulted in both a more complete and meaningful disclosure of the services rendered. Additionally, the Fee Review Process has enabled the Professionals to present their billing services in formats and manners that are acceptable to the Fee Examiner. As the Fee Review Process has proceeded, the Professionals are generally doing a better job with their respective invoices, thereby decreasing both the modifications/clarifications and billing adjustments that the Fee Examiner has requested.

15. As has been the case throughout this process, the Professional Fee Expenses incurred during the Reporting Period were substantial. The Case presents issues of a magnitude and complexity that challenge the Professionals' and the Fee Examiner's ability to assimilate and digest. The novelty of the legal issues, the deadlines imposed by the Case and the strong differences in opinion between the various parties on the appropriate resolution of issues, has made (and continues to make) the Case extremely time intensive for all concerned. It is impossible (and inappropriate) to view the Professional Fee Expenses in the abstract. They must be tested against the circumstances of the Case, such as the amount of debt being addressed, the number of competing interests that have to be considered, the number of diverse problems and public interest issues that must be simultaneously considered and solved within the uncharted waters of a Chapter 9 case of this magnitude.

16. During this Reporting Period, the focus of the Case has increasingly been the City's Plan of Adjustment (the "Plan") and Disclosure Statement. The drafting, revising and

negotiation of the terms of the Plan, the drafting and revising of the Disclosure Statement, the litigation of the Objections to both the Plan and the Disclosure Statement and general preparation for the Confirmation Hearing on the Plan have been at the center of activity in the Case. At the same time, closely related matters such as the Detroit Water and Sewer Department's contemplated transaction, the COPS/Swap assumption motion and settlement, claims review and objections, post-petition financing, and the multi-track mediations, have all proceeded at full speed. Additionally, substantial time was expended in the areas of labor and pension, including the negotiation of new collective bargaining agreements, the litigation of certain alleged unfair labor practices and the modification/restructuring of various City pension plans. Further, several matters of consequence were the subject of appeals, such as the eligibility ruling and the COPS/Swap assumption motion approval. Nonetheless, the context of much of the Case has shifted to the terms of the Plan and manner of the implementation of the Plan process. Most of the substantive disputes are now focused on Plan treatment and efforts to negotiate resolutions of those disputes that might result in confirmation of the Plan.

17. All of the issues that the Fee Examiner identified in the Preliminary Reports were reasonably addressed to his satisfaction through the Resolution Discussions and the subsequent revisions to invoices, which in many instances resulted in additional voluntary reductions by the Professionals. That is not to say that every recommendation of the Fee Examiner was accepted by every Professional. The Fee Review Process limits the Fee Examiner to raising questions and seeking clarification of issues. The power of the Fee Examiner under the Fee Review Order is limited to recommendations and challenges made through the Preliminary Reports and the Resolution Discussions. The Fee Examiner has no authority to require modifications of the

Monthly Invoices or to unilaterally reduce the amount of any firm's Professional Fee Expense request.

18. The Final Monthly Reports prepared by the Fee Examiner delineate the voluntary write-offs and reductions by each Professional, both before the submission of each Monthly Invoice and as a result of the Resolution Discussions with the Fee Examiner. As a result of this fee review process, the Fee Examiner has determined that the Professional Fee Expenses incurred by the Professionals during the Reporting Period and covered by this Fourth Quarterly Report, while substantial by any measure, are commensurate with the complexity and speed of the Case, and the quality of the services that the Professionals have provided. However, the Fee Examiner reserves judgment on the adequacy of disclosure and overall reasonableness of the Professional Fee Expenses incurred by each of the Professionals on an aggregate basis, as required by 11 U.S.C. § 943(b)(3), because such determinations must be made at the conclusion of the Case, and after full consideration of the totality of the services, the value of the contributions to the Case of each of the Professionals, and the outcome of the Case as a whole.

Respectfully submitted,

Dated: November 5, 2014

By: /s/ Robert M. Fishman
Robert M. Fishman, Fee Examiner

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